

Message Text

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ACTION EUR-12

INFO OCT-01 AF-10 EA-10 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-10 IO-13 NEA-11 NSAE-00
ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 SOE-02 DODE-00 DOE-15 H-01
INT-05 L-03 NSC-05 PM-05 OES-07 STR-07 ACDA-12
/183 W

-----037944 020220Z /63

R 011519Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6704
INFO AMEMBASSY KINSHASA
AMEMBASSY LUSAKA
AMEMBASSY OTTAWA
AMCONSUL LUBUMBASHI
ALL EC CAPITALS
AMEMBASSY MOSCOW
AMEMBASSY TOKYO

C O N F I D E N T I A L LONDON 08642

USOECN ALSO FOR EMBASSY
USEEC ALSO FOR EMBASSY

E.O. 11652: GDS
TAGS: EMIN, CG, UR, ZA
SUBJECT: COBALT - SUPPLY SITUATION AS SEEN BY UK DEPART-
OF INDUSTRY.

1. EMBOFF CALLED AT DEPARTMENT OF INDUSTRY (DOI) MAY 31
TO DISCUSS COBALT SITUATION WITH MICHAEL JOHNSON, GLAD-
WELL AND OTHERS (REFTEL). JOHNSON SAID DOI HAS NOW HAD
AN INITIAL DISCUSSION OF SITUATION WITH INDUSTRY. HIS
ASSESSMENT FOR MOMENT IS:

(A) PRODUCTION. COBALT PRODUCTION IN ZAIRE IS VIR-
TUALLY AT A HALT. NO ONE KNOWS HOW MUCH DAMAGE HAS
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BEEN DONE TO MINES OR HOW LONG IT WILL TAKE TO GET
BACK INTO PRODUCTION. SITUATION WAS NOT GOOD BEFORE
THE ATTACKS, PARTICULARLY BECAUSE OF ASSOCIATION OF
ZAIRE COBALT PRODUCTION WITH THE AILING COPPER INDUS-
TRY. HIS BEST CASE EVALUATION IS THAT THERE HAS BEEN
A MAJOR INTERRUPTION WHICH WILL TAKE SOME TIME TO
OVERCOME.

(B) SUPPLIES IN EEC. FOR MOMENT SUPPLIES IN THE U.K. AND ON THE CONTINENT ARE ADEQUATE. THERE IS NO CAUSE FOR PANIC. A CRUNCH COULD DEVELOP ABOUT AUGUST, DEPENDING UPON ZAIRE AND THE WAY DEMAND DEVELOPS. JOHNSON WAS PARTICULARLY WORRIED ABOUT THE POSSIBILITY THAT JAPAN MIGHT ENTER MARKET, BUYING IN EXCESS OF NORMAL NEEDS.

(C) ALTERNATE SUPPLIES. U.K. HAS THE GREATER SHARE OF ZAMBIAN PRODUCTION TIED UP IN LONG-TERM CONTRACTS, FOLLOWED, HE SAID, BY U.S. AND JAPAN IN THAT ORDER. U.K. PLANT IN WALES IS PROCESSING CANADIAN NICKEL CONCENTRATES, DERIVING COBALT AS A BY-PRODUCT. JOHNSON SAID THIS IS WORKING WELL AND HE SEES NO PROBLEM ON HORIZON WITH CANADIAN SUPPLIES.

(D) RATIONING. U.K. HAS NO LEGISLATION IN PLACE FOR A FORMAL RATIONING SYSTEM AND RATIONING PROBABLY WOULD HAVE TO BE TREATED AS AN EEC AS WELL AS U.K. PROBLEM. U.K. MIGHT FIND IT NECESSARY TO WORK OUT A VOLUNTARY PROGRAM FOR ALLOCATING SCARCE SUPPLIES, BUT LITTLE THOUGHT HAS BEEN GIVEN TO THIS SO FAR.

(E) SOVIET PURCHASING. JOHNSON HAD NOTHING TO ADD TO PRESS REPORTS.
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(F) STOCKPILE DISPOSALS. JOHNSON WAS ABLE TO CAST LITTLE LIGHT ON STRATEGIC HOLDINGS BY THE MINISTER OF DEFENSE (MOD); HE THOUGHT SUCH SUPPLIES WERE RELATIVELY SMALL AND NOTED THAT THE MOD HAD SHOWN PRUDENCE IN SUSPENDING COBALT SALES SOME TIME AGO.
2. JOHNSON SAID HMG INTEREST IN COBALT PROBLEMS WAS ONLY AT HIS LEVEL SO FAR (I.E., ROUGHLY EQUIVALENT TO THE EB/ISM LEVEL IN STATE); NO CABINET INTEREST HAS BEEN EXPRESSED SO FAR. HE SAID IT IS ALMOST SURE THAT THERE WILL BE POLITICAL-LEVEL INTEREST AT SOME POINT AS PEOPLE BEGIN TO WORRY ABOUT THE INDUSTRIAL IMPACT OF POSSIBLE SHORTAGES.

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